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# The Woes Are Waiting

**Ronald Reagan won't take over until January 20, but he's already confronting big decisions on business, global hot spots—with more to come.**

Six weeks before the start of Ronald Reagan's Presidency, the problems he will inherit were piling up fast.

As the President-elect prepared to announce his first cabinet appointments, bad news kept bombarding him. Demands grew for tough economic and foreign-policy decisions to be made—or signals given—even before his inauguration on January 20.

At home, signs spread that the economy was dropping back into recession, undercutting chances that Reagan's program for recovery would achieve quick results.

Abroad, these developments were crowding in—

- A huge Soviet military buildup around Poland raised fears of a Russian invasion that could renew the Cold War.

- The stability of the Middle East was strained further by a dispute between Jordan and Syria. Fighting between Iran and Iraq showed no sign of slackening.

- Collapse of efforts to negotiate a settlement in the bloody civil war in El Sal-



"It looked easier in the game plan."

BASSET FOR USAHRR

vador stirred renewed concern about a leftist takeover in the Latin American country.

- Peking issued a shrill warning that U.S. relations with China could be damaged if the new administration decided to appoint an envoy to Taiwan, as one Reagan aide urged publicly.

Despite these difficulties, the President-elect's main concern in early December remained selection of the cabinet that will help him grapple with the country's woes.

For key posts, names flew in all directions. Some aides were promoting ex-Nixon official Caspar Weinberger for Secretary of Defense; the former commander of the North Atlantic Treaty Organization, Gen. Alexander M. Haig, Jr., for State; New York banker Walter B. Wriston or New York stockbroker Donald T. Regan for Treasury and Reagan's lawyer, William French Smith, for Attorney General.

Also, trial balloons were going up for Reagan's campaign chief, William Casey, as director of the Central Intelligence Agency, and for Representative David A. Stockman (R-Mich.) to head the Office of Management and Budget.

Once the cabinet is picked, Reagan's attention will begin shifting back to his biggest domestic problem—how to pull the nation from its economic doldrums.

A few months ago, it appeared that the economy would be well on the mend by January. But the recovery has stalled. The prime lending rate hit 19

percent on December 5, inflation was running at 13 percent and unemployment stood at just under 8 percent.

Nor can Reagan count on the economy improving in the near future. A new analysis by the Economic Unit of *U.S. News & World Report* indicates that the real output of the nation's goods and services will drop in the fourth quarter of 1980 and decline further in the first quarter of 1981.

Reagan's basic plan for reviving the economy is to couple big tax cuts with spending reductions—moving toward a balanced federal budget by 1983.

But the worsening economic picture will make it much harder for him to control federal spending. What's more, many Americans appear unsure that they want a tax cut. A Harris Survey released on December 1 showed that a majority of those sampled oppose a reduction in income taxes, fearing that such action would only stoke inflation.

**Troubled auto industry.** One other piece of bad economic news came from Detroit. The auto makers reported that sales for the final 10 days of November fell nearly 18 percent below the same period in 1979. At the same time, imported cars showed big gains.

Detroit's continued slide could confront Reagan with one of his first dilemmas in office: Whether to let U.S. auto makers rescue themselves or lend a hand and risk a trade war with Japan over the levying of U.S. import quotas on Japanese cars. The new Congress is likely to waste little time before dump-

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ing the sticky issue in the new President's lap. When lawmakers arrive in Washington in January, pressure will build quickly behind a measure giving the Chief Executive new powers to negotiate import quotas. Such a bill passed the House on December 2.

**Seething problem.** Though Reagan has said he wants to focus on the economy during his first months in office, he may find it necessary to turn almost immediately to the international front.

Soviet intervention in Poland would confront him with the need to take action in an area where a military response was ruled out. Reagan's challenge would be to counter the Kremlin and firmly establish his credentials as a strong leader.

Reagan joined President Carter in sending the Soviet Union a clear and unified signal that any Soviet attempt to exploit the change in U.S. administrations by moving against Poland would be, as one Reagan aide put it, "a grave miscalculation."

Richard Allen, the President-elect's top foreign-affairs adviser, said "the consequences of a Soviet invasion of Poland would be severe and long-lasting," and such action "could border on wrecking relations for a long time."

In the Middle East, the ebbing of tensions between Syria and Jordan, after the massing of armies on their border, spared Reagan one possible headache. But the flare-up showed anew the volatility of a region vital to the West because of its oil supplies. Those supplies have already been diminished by Iran's war with Iraq.

It is also possible that Reagan will inherit the problem of the 52 American hostages held in Teheran for more

than a year. While U.S. contacts with Iran through Algerian intermediaries continued, there was no solid indication that Iran was on the verge of releasing the captives.

In an apparent effort to speed the negotiating process along, aides said Reagan had sent word to Iran that he would be even less flexible than Carter on the hostage issue. The President-elect said it would be "pretty foolish" for the Iranians to await his inauguration before seriously attempting to settle the matter.

Central America, a perennial problem for U.S. Presidents, was shaping up as a hot spot for Reagan as well. Right-wing military elements battled leftist guerrillas for control of El Salvador, whose closeness to the Panama Canal makes it strategically important. A leftist victory would give Cuba's Fidel Castro one more foothold at the back door of Mexico and the U.S.

Reagan advisers hinted to right-wing forces that they could expect a substantial boost in U.S. military aid from the new administration. That would be a departure from Washington's policy of encouraging a negotiated end to the bloodshed—an effort that fell apart in late November with the slaying of six leftist leaders.

The situation deteriorated further with the discovery on December 4 of the bodies of four American Roman Catholics—including three nuns. The U.S. cut off aid to the ruling junta pending investigation into reports the government security forces were involved in the murders. In all, 8,000 have died in political violence this year.

Reagan's own advisers added to the problems he faces in foreign affairs.

One example: While touring Taiwan on the President-elect's behalf, policy adviser Ray S. Cline stirred controversy by endorsing the idea of appointing a special U.S. envoy to the island nation. Cline further said that Carter should have insisted on concessions from Peking when he normalized relations with China.

The Chinese lost no time in denouncing the proposal, warning that it could endanger the tenuous relations between Washington and Peking. "This is a very dangerous proposal," declared the official New China News Agency. "Cline's advocacy and suggestions, if adopted, would surely lead to a retrogression in Sino-U.S. relations and have grave consequences."

**Tightening lips.** Because of the furor, some 200 Reagan transition officials and policy planners were put on notice to do less public talking about international affairs. Foreign-policy lieutenant Allen, in a November 30 memo, urged all advisers to "anticipate distortions" of anything they might say, and added: "The usual disclaimer of not speaking for the President-elect may not be enough."

Reagan was receiving daily Central Intelligence Agency briefings on events occurring around the world and letters were pouring in from foreign leaders. But the President-elect declared on December 2 that he was in no hurry to undertake the difficult business of making foreign policy.

"I felt from the very beginning," the next Chief Executive said, "that the President is President until January 20 and that foreign policy and any disagreements within this country should end at the water's edge." □

Will crisis over Polish unrest lead to a showdown between Reagan and the Soviets?



Jordanian troops on Syrian border—sign of Mideast tension.



Slaying of Salvadoran leftists has fueled a bloody civil war.

